

## Message Text

LIMITED OFFICIAL USE

PAGE 01 PARIS 19846 01 OF 03 081153Z

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01  
CIAE-00 COME-00 EPG-02 DODE-00 FEAE-00 FPC-01  
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01  
PM-04 USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00  
ACDA-07 NEA-10 EA-07 PA-01 PRS-01 IO-13 /133 W  
-----101975 081236Z /43

R 081141Z JUL 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5361

INFO ALL IEA CAPITALS

AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 03 PARIS 19846

USOECN BRUSSELS FOR EC

E.O.11652: NA

TAGS: ENRG OECD

SUBJECT: IEA: STANDING GROUP ON THE OIL MARKET (SOM)  
AND AD HOC GROUP MEETINGS, JUNE 28-30

REF: STATE 105152

1. SUMMARY. THE SOM MET JUNE 29 AND 30 PRECEDED BY MEETINGS OF THE TWO SOM WORKING GROUPS. SEVERAL RECOMMENDATIONS FOR MODIFICATIONS ON THE CRUDE OIL AND PRODUCT COST AND PRICE INFORMATION SYSTEM WERE ACCEPTED. SLIGHT PROGRESS WAS MADE ON THE FINANCIAL INFORMATION REPORTING SYSTEM BUT DESIRE TO REACH SOME CONCLUSIONS IN THIS AREA BY THE NEXT MEETING WAS INDICATED. THE US GAVE A PRESENTATION ON THE MAIN ELEMENTS OF THE NATIONAL ENERGY PLAN. THE STANDING GROUP WAS CONSULTED ON THE SECRETARIAT'S PROPOSAL TO INVOKE THE CHAIRMAN'S COMPROMISE TO INVESTIGATE ANOMALIES IN THE DANISH DATA IN THE PRODUCT  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 19846 01 OF 03 081153Z

PRICE REPORTING SYSTEM. IEA EXECUTIVE DIRECTOR LANTZKE, WHO WAS PRESENT FOR THIS DISCUSSION, INDICATED HE HAD NOT YET MADE A FINAL DECISION ON USING THE COMPROMISE PROCEDURE BUT THAT HE WAS PRESENTLY INCLINED TO DO SO.  
END SUMMARY

2. THE AD HOC WORKING GROUP ON CAPITAL INVESTMENTS AND

FINANCIAL STRUCTURE CONTINUED ITS DISCUSSIONS FROM ITS LAST MEETING ON THE ALTERNATIVES FOR A SYSTEM TO COMPILE HISTORICAL INVESTMENT DATA. SINCE MEETING LAST MEMBER COUNTRIES HAD CONTACTED THOSE COMPANIES PROVIDING THIS TYPE OF INFORMATION TO THE CHASE MANHATTAN BANK (CMB) AND INQUIRED WHETHER THE COMPANIES WOULD AGREE TO HAVING CMB PROVIDE THIS INFORMATION TO THE IEA. THE DELEGATIONS REPORTED GENERALLY POSITIVE REPLIES THOUGH NOT ALL OF THE COMPANIES HAD YET RESPONDED. IT WAS DECIDED THAT ONCE ALL THE RESPONSES ARE RECEIVED THE QUESTION OF WHETHER TO USE THE CMB DATA SYSTEM OR TO DEVELOP AN INDEPENDENT ONE CAN BE ADDRESSED.

3. THE GROUP MADE A FEW REVISIONS IN THE PROPOSED QUESTIONNAIRES TO THE COMPANIES ON CAPITAL INVESTMENTS. THESE REVISIONS TOGETHER WITH SEVERAL QUESTIONS ABOUT THE FUNCTIONAL AND GEOGRAPHIC BREAKDOWN POSSIBLE FOR THIS DATA WILL BE SUBMITTED TO THE INDUSTRY WORKING PARTY FOR THEIR COMMENT.

4. AFTER THE GROUP REPORTED THESE DEVELOPMENTS TO THE FULL SOM, THE CHAIRMAN OF THE SOM (BECKER-FRG) EXPRESSED THE DESIRE TO HAVE A RECOMMENDATION FROM THE WORKING GROUP ON THE TYPE OF SYSTEM TO BE ADOPTED AT THE SOM'S NEXT MEETING SO THAT AN APPROACH CAN BE MADE TO THE GOVERNING BOARD. THE JAPANESE DELEGATION REQUESTED THAT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 19846 01 OF 03 081153Z

IT BE RECORDED AS UNCOMMITTED ON THESE QUESTIONS UNTIL THEY HAD CONSULTED WITH TOKYO.

5. THE SECRETARIAT REPORTED NO PROGRESS ON DEVELOPING A SYSTEM FOR FORECASTING OIL AND GAS CAPITAL REQUIREMENTS. THE SECRETARIAT EXPRESSED THE HOPE THAT AN ADDITIONAL STAFF PERSON WITH THE EXPERTISE NECESSARY FOR THIS TASK WOULD BE HIRED IN THE NEAR FUTURE.

6. THE AD HOC GROUP ON CRUDE OIL AND PETROLEUM PRODUCT COST AND PRICE REPORTING SYSTEMS MADE SEVERAL RECOMMENDATIONS TO THE FULL SOM AS A RESULT OF ITS MEETING. THESE WERE GENERALLY AGREED TO WITH THE EXCEPTION OF THE JAPANESE DELEGATION WHICH REQUESTED THAT IT BE RECORDED AS UNCOMMITTED UNTIL THEY HAD CONSULTED WITH TOKYO.

7. THE SOM AGREED THAT MONTHLY REPORTING OF CRUDE OIL COSTS AND IMPORT-PRICES SHOULD BE CONTINUED FOR THE THIRD QUARTER OF 1977. IT WAS ALSO AGREED THAT REPORTING SHOULD REVERT TO A QUARTERLY BASIS AS SOON AS MARKET CONDITIONS STABILIZE AND THAT MONTHLY REPORTING ONLY BE RE-INTRODUCED WHEN CIRCUMSTANCES REQUIRE IT.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 19846 02 OF 03 081201Z  
ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01  
CIAE-00 COME-00 EPG-02 DODE-00 FEAE-00 FPC-01  
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01  
PM-04 USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00  
ACDA-07 NEA-10 EA-07 PA-01 PRS-01 IO-13 /133 W  
-----102051 081237Z /43

R 081141Z JUL 77  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 5362  
INFO ALL IEA CAPITALS  
AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 02 OF 03 PARIS 19846

OECD/USEEC

8. AMONG THE OTHER AGREED ITEMS WERE:

- THAT A SEPARATE CRUDE STREAM FOR QATAR CRUDE BE IDENTIFIED AND REPORTED ALONG WITH THE 16 EXISTING STREAMS;
- THAT THE POSSIBILITY OF ADDING RUSSIAN CRUDE AND IEA CRUDES, SUCH AS NORTH SEA OIL, TO THE REPORTING SYSTEM BE INVESTIGATED;
- THAT CRUDE OIL IMPORTS WOULD BE REPORTED ON A DATE-OF-DISCHARGE BASIS SUPPLEMENTED WHEN APPROPRIATE BY ADDITIONAL DATA ON COSTS OF CARGOES LOADED BEFORE AND AFTER SIGNIFICANT OPEC-WIDE PRICE CHANGES.
- THAT COUNTRIES REPORT THE AVERAGE C.I.F. COST FOR ALL IMPORTED CRUDE OIL;
- THAT, BEGINNING IN JULY 1977, ALL PRICE DATA BE SEG-

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 19846 02 OF 03 081201Z

REGATED BETWEEN AFFILIATE AND NON-AFFILIATE TRANSACTIONS,  
ON A TRIAL BASIS.

9. THE SECRETARIAT GAVE THE SOM ITS ANALYSIS OF CURRENT CONDITIONS IN THE OIL MARKET. THE MAIN CONCLUSION OF THE REPORT WAS THAT WORLD DEMAND FOR OPEC OIL SHOULD BE STABLE IN THE NEAR TERM WITH SOME VARIATION DUE TO THE STRENGTH OF ECONOMIC GROWTH AND THE IMPACT OF CONSERVATION PLANS. WHILE THE UPWARD PRESSURE ON OIL PRICES WILL TO AN EXTENT BE MITIGATED FOR A WHILE IN THE EARLY 1980'S IT WAS PROJECTED THAT DEMAND FOR OPEC OIL WILL AGAIN BEGIN TO INCREASE.

10. THE UK DELEGATION THEN GAVE A PRESENTATION ON THE ENERGY ACT OF 1976 WHICH GIVES HMG EMERGENCY POWERS FOR DEALING WITH ENERGY CRISES AND THE PERMANENT POWERS TO MEET THEIR OBLIGATIONS AS MEMBERS OF THE EEC AND IEA.

11. THE US DELEGATION THEN GAVE AN OUTLINE OF THE MAIN PROVISIONS AND CURRENT STATUS OF THE NATIONAL ENERGY PLAN AND THE BILL ESTABLISHING THE DEPARTMENT OF ENERGY. FROM THE QUESTIONS ASKED BY OTHER DELEGATIONS IT WAS APPARENT THAT OF PARTICULAR INTEREST WERE THE IMPACT ON OIL PRICES OF ACQUISITIONS FOR THE STRATEGIC PETROLEUM RESERVE AND THE PRICING POLICIES FOR NEWLY DISCOVERED OIL.

12. THE FINAL ITEM CONSIDERED BY THE GROUP AND BY FAR THE MOST CONTENTIOUS ONE WAS THE CHAIRMAN'S COMPROMISE - A PROCEDURE WHEREBY INDIVIDUAL COUNTRY DATA CAN BE DISCUSSED WITH THE SECRETARIAT ON A COMPANY BY COMPANY BASIS AS APPROPRIATE, IN ORDER TO ELIMINATE ANOMALIES OR INCONSISTENCIES IN THAT DATA. IT WAS PROPOSED AT THE LAST SOM LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 19846 02 OF 03 081201Z

THAT DENMARK AND SWEDEN PROVIDE INDIVIDUAL COMPANY DATA BECAUSE DENMARK'S PRICES FOR SEVERAL PRODUCTS WERE HIGHER THAN THOSE OF SWEDEN DURING FOURTH QUARTER 1975 THROUGH THIRD QUARTER 1976.

13. THE US TABLED A PAPER STATING ITS VIEW THAT:  
- A SIMPLE DIFFERENCE IN PRICES OF PETROLEUM PRODUCTS IN TWO DIFFERENT MARKETS CANNOT BE CONSIDERED AN ANOMALY OR INCONSISTENCY, AND

- THAT THE PROVISIONS FOR THE GENERAL INFORMATION SYSTEM DO NOT AUTHORIZE THE SECRETARIAT TO ENGAGE IN STUDIES OF

PROPRIETARY AND COMPETITIVELY SENSITIVE INFORMATION TO DETERMINE, FOR EXAMPLE, INTERNATIONAL MARKETING STRATEGIES.

14. THE ENSUING DISCUSSION FOLLOWED THE LINES THAT IT HAS IN THE PAST. IN ADDITION TO US, UK AND DUTCH OPPOSED USING THE COMPROMISE PROCEDURE IN THIS INSTANCE. LATTER TWO, HOWEVER, DID NOT ADDRESS PRINCIPLE OF USING PROCEDURE IN THIS TYPE OF CASE, BUT HELD THAT THERE WAS NO NEED IN THIS SPECIFIC CASE TO RESORT TO COMPROMISE. GERMANS, ITALIANS, SWEDISH, DANISH, AND JAPANESE ENDORSED THE PROPOSAL AND IN GENERAL TOOK A MUCH BROADER VIEW OF THE WAY IN WHICH THE COMPROMISE PROCEDURE IS TO BE USED. ITALIAN DEL CHARGED THAT US POSITION RENDERED CHAIRMAN'S COMPROMISE USELESS AND SERVED NOTICE THAT THIS QUESTION WOULD BE PURSUED AT GOVERNING BOARD.

15. IEA EXECUTIVE DIRECTOR LANTZKE, WHO WAS PRESENT FOR THE DISCUSSION, ADMITTED THAT THE CASE WAS A MARGINAL ONE BUT ARGUED THAT:

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 PARIS 19846 03 OF 03 081208Z  
ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01  
CIAE-00 COME-00 EPG-02 DODE-00 FEAE-00 FPC-01  
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01  
PM-04 USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00  
ACDA-07 NEA-10 EA-07 PA-01 PRS-01 IO-13 /133 W  
-----102203 081237Z /43

R 081141Z JUL 77  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 5363  
INFO ALL IEA CAPITALS  
AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 03 OF 03 PARIS 19846

OECD/USEEC

- AN ANOMALY AS USED IN THE AGREEMENT ON THE COMPROMISE

PROCEDURE INCLUDES ANY SIGNIFICANT DIFFERENCE IN PRICES CHARGED BY THE COMPANIES OVER A LENGTHY PERIOD OF TIME IN SIMILAR MARKETS; AND

- THE PROCEDURE SHOULD BE USED IN THIS CASE TO "TEST" THE CHAIRMAN'S COMPROMISE SYSTEM.

16. SOM CHAIRMAN BECKER POINTED OUT THAT THE COMPROMISE PROCEDURE CALLED ONLY FOR CONSULTATION WITH THE SOM PRIOR TO USING THE PROCEDURE AND THAT THIS REQUIREMENT NOW HAVING BEEN MET IT WOULD BE UP TO THE EXECUTIVE DIRECTOR AS TO HOW TO PROCEED.

17. LANTZKE STATED THAT HE WOULD NOT DECIDE IMMEDIATELY BUT THAT HE WAS TENDING TOWARD USING THE PROCEDURE IN ORDER TO SEE IF THE COMPROMISE WORKED AND IN HOPES OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 19846 03 OF 03 081208Z

SETTLING THE AGGREGATION/DISAGGREGATION ISSUE. WHILE LANTZKE STATED HIS MIND WAS NOT YET MADE UP AS HE LEFT THE ROOM HE SAID TO THE US DELEGATION: "YOU WON'T BE TOO SURPRISED IF I GO AHEAD WILL YOU."

18. THE SOM AGREED TO HOLD ITS NEXT MEETING SEPTEMBER 28 AND 29.

19. MISSION COMMENT: SUBSEQUENT TO SOM MEETING, SECRETARIAT (HOPKINS) APPROACHED MISSION OFFICER TO SAY HE FELT US HAD MISINTERPRETED SECRETARIAT'S INTENT IN SEEKING TO ACTIVATE THE CHAIRMAN'S COMPROMISE IN THIS INSTANCE. ACCORDING TO HOPKINS, SECRETARIAT DID NOT VIEW THIS CASE AS FIRST STEP TOWARD ACTIVATION OF THE CHAIRMAN'S COMPROMISE ACROSS THE BOARD OR IN CASES MORE DIRECTLY INVOLVING US BUT RATHER HAD CAREFULLY CHOSEN TO TAKE THIS OPPORTUNITY TO USE THE PROCEDURE ONCE IN A RATHER PERIPHERAL CASE TO PROVE TO PRO-DISAGGREGATION DELS THAT PROCEDURE WORKS. HOPE WAS THAT THIS POINT HAVING BEEN DEMONSTRATED, AGGREGATION/DISAGGREGATION QUESTION MIGHT BE PERMANENTLY PUT TO REST. HOPKINS VOICED HIS CONCERN THAT US HANDLING OF THIS CASE IN SOM (I.E., THE CIRCULATION OF A RATHER "LEGALISTIC" STATEMENT OF PRINCIPLE) COULD WELL RESULT IN THE REOPENING OF THE ENTIRE AGGREGATION/DISAGGREGATION QUESTION WHEN CHAIRMAN'S COMPROMISE IS DISCUSSED LATER THIS YEAR AT THE GOVERNING BOARD.  
SALZMAN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** OILS, MARKETS, COMMITTEE MEETINGS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 08-Jul-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977PARIS19846  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770243-0043  
**Format:** TEL  
**From:** PARIS USOECD  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770777/aaaacpej.tel  
**Line Count:** 328  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 4cb08a6e-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 STATE 105152  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 01-Dec-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1921420  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** IEA: STANDING GROUP ON THE OIL MARKET (SOM) AND AD HOC GROUP MEETINGS, JUNE 28-30  
**TAGS:** ENRG, OECD  
**To:** STATE USEEC  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/4cb08a6e-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009